

JPRS 76864

24 November 1980

# USSR Report

ECONOMIC AFFAIRS

No. 944

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### ALL-UNION CONFERENCE ON PRICES REVIEWED

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian No 5, Sep-Oct 80  
pp 1008-1013

[Unsigned account of "All-Union Conference on Problems of Price Setting"]

[Text] The All-Union Conference on Problems of Price Setting, convened by the USSR State Committee for Prices [Goskomtsen], was held in Moscow 7 April 1980. Its purpose was discussion of progress and tasks in further improvement of planned price setting in accordance with the decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," dated 12 July 1979.

The plenary session was opened by N. T. Glushkov, chairman of Goskomtsen. In his address, which was devoted to wholesale prices and rate schedules in the industrial sector, he pointed out that in accordance with that decree the following decisions had been taken:

- i. by 1 April 1981 to revise wholesale prices on industrial products and rate schedules for electric power and thermal energy for their being put into effect as of 1 January 1982, along with simultaneous adjustment of all planning indicators;
- ii. to enhance the role of wholesale prices and rate schedules in economic stimulation of scientific-technical progress and the strictest economy in use of fuel and power resources, ferrous and nonferrous metals, and raw materials and supplies, and in raising product quality, and also to reflect more fully in prices the socially necessary costs of production;
- iii. to improve wholesale prices and rate schedules in the industrial sector by reducing wholesale prices by virtue of reduction of material and labor costs of production, by reducing production cost and by taking other steps aimed at achieving high profitability and efficiency.

Improvement of wholesale prices embraces the following: preparation and revision of prices on the basis of progressive standards of labor intensiveness, of consumption of fuel and power resources, of metal intensiveness

and of other costs; drafting an approval of net output norms as an integral part of the wholesale price; performance of specific measures to strengthen the impact of prices on increasing production efficiency and product quality.

The first phase, which involves compiling new price lists on products of the fuel-and-power and raw-materials industries, is now being completed. The work done by price-setting authorities is making it possible to move on to the second stage--completion of the drafting of price lists on products of the manufacturing industries and machinebuilding. By and large the initial data are already available for calculating the new production costs so as to take into account the influence of price changes on fuel, raw materials and supplies to be consumed.

The speaker pointed out that a peculiar feature of compiling price lists in the machinebuilding industries and certain others is that normative net output prices are being prepared simultaneously with their preparation. A determination needs to be made as to whether it is necessary to apply this indicator in all industries without exception.

A number of specialized measures have been planned to strengthen the influence of wholesale prices on raising production efficiency and product quality. The following will be enhanced above all: the incentive role of supplements to wholesale prices for highly efficient new products and expansion of the practice of applying price deductions to products in the second-quality category; the role of the price in reducing the materials intensiveness of products produced and in the application of inexpensive forms of raw materials and supplies; the importance of ceiling prices in strengthening the responsibility of clients, developers and manufacturers for the economic justifiability of outlays for new products, as well as in the monitoring of the process of developing highly efficient machines and equipment and setting up their production.

The speaker paid particular attention to improvement of prices in the agro-industrial complex, to the system of wholesale prices of consumer goods, and also to the question of price monitoring.

K. N. Rudnev, USSR minister of instrumentmaking, automation equipment and control systems, noting that this industry has been operating since 1970 under the conditions of complete cost accounting (khozraschet), pointed up the need for a scientifically sound system of price setting and not only for correct determination of the future level of production costs, but also establishment of a standard level of profitability that has been calculated in strictly economic terms. It is not possible to adopt a rate of profitability at approximately the same level for all industries as the basis for calculating prices: industries in which the value of productive capital is low will have considerably lower profit at the same volume of output than those which are capital intensive. It is important to ensure on the one hand price stability over the planning period and on the other consistency



of planning indicators with the prices which have been set, which it has not always been possible to do: one rate of profitability is incorporated when the plan is approved, and another when prices are set. Enterprises incorporating new technology suffer as a consequence.

K. N. Rudnev dwelt on certain aspects of methods in the field of price setting. He deems it necessary to work out and approve scientifically sound prices on new products in the form of a minimum which would be in effect for 5 years. Since the work of price setting necessitates highly qualified guidance with respect to methods, it would be wise if the Scientific Research Institute of Prices of USSR Goskomtsen summarized the experience acquired in the machinebuilding industries and prepared relevant recommendations. There is a need to simplify and speed up the processes of preparing, adjusting and approving prices.

Speaking about conversion of a number of associations of his ministry to planning on the basis of the normative net output indicator, K. N. Rudnev noted that it is not clear at present what influence this transition will have on the rise of labor productivity, growth rates, the wage fund, and the present system of industrial cooperation and specialization. The problem of differing levels of profitability, which is inherent in the use of commodity output in comparable prices as an indicator, persists even when planning is based on normative net output, and because of the high relative share of profit in the net output norm as compared to the price, these differences in level of profitability are still substantial.

N. P. Fedorenko, member of the academy and academic secretary of the Economics Department of the USSR Academy of Sciences, pointed out that the problem of methodology in the planning of prices is traditionally one of the physical lines of research in Soviet economic science, since any scientifically sound economic decision requires commensurability of costs and benefits. In recent years a noticeable shift has been noted in strengthening the alliance of science and practice; there is greater understanding of real economic problems, and there is broader collaboration between scientists and practitioners. For instance, a second version of calculations of the new price list for steel and rolled products of ferrous metals has been completed in the computer center of TsEMI [Central Mathematical Economics Institute]. An analysis in experience of TsEMI, USSR Goskomtsen and TsNIIchermet [Central Scientific Research Institute of Ferrous Metallurgy] in this project of creating a computerized system for computation of price lists on the basis of standard-parameter methods shows that the methods and algorithms prepared and used can also be applied in other industries with small modifications.

Definite progress has been noticeable in solving the problem of substantiating prices of new products for industrial use. It is generally recognized that the prices of new technology need to be set so as to take into account not only the costs of production, but also the improved performance characteristics of the new product as compared to the one it is replacing.

When the prices of new products are being worked out, the upper price limit would be set along with the economic benefit from replacement of the base technology by the new technology, a portion of which would be passed on to the producer of the new technology in order to encourage its manufacture. In a number of cases there might be stepped prices, which would drop as the volume of production increased and the new technology became obsolescent. All of this has been reflected in the "Method of Determining Wholesale Prices of New Products for Industrial and Technical Use," which has been in effect since 1974. At the same time we cannot but see its essential shortcomings. First of all, the underestimation of the real cost-accounting interest of producers of new technology, which is manifested in the restriction of the size and period of validity of price supplements instituted as an incentive, so that the level of the wholesale price still by and large reflects the cost of production, which is why producers strive to increase them. Second, this method diverges from the method of determining the economic efficiency of application in the national economy of new technology, inventions and production innovations approved in 1977 with respect to the methods of evaluating efficiency, and in a number of cases this results in inefficient products being put into production.

To improve methods of substantiating prices of new technology we need to develop and elaborate the present principles of price setting toward better correlation of the interests of the national economy in creating and producing new technology: 1) so that the system of prices will stimulate cost reduction in the production of new technology, the practice of restricting in the release price that portion which is related to the economic benefit should be renounced; 2) to increase the accuracy of computation of the upper price level and the economic benefit taken into account in the prices of new technology the computations of these indicators need to be made in accordance with the principles of the 1977 method referred to; 3) the methods of determining the prices which represent internal consistency of the plan, which ensure organic linkage of plans for production and distribution, need to be introduced more widely.

It is accordingly advisable to base computation of full costs on a single principle in accordance with which normative profit would be set in proportion to the specific capital intensiveness of production at a standard rate of efficiency of capital investments which would be uniform for the entire national economy.

The speaker also took up the problems of determining the need for new technology separately for spheres of application and drafting on that basis an optimum balanced plan of its production and application. Stepped prices, which would drop as the need of the national economy is met, should become the means of carrying out such a plan. The advantage of this approach lies in its maximization of the benefit to the national economy.

N. P. Fedorenko, member of the academy, paid particular attention to including among imputed costs a component that reflects the normative level

of utilization of national resources, water in particular. The charge for water still does not cause any objections whatsoever. Today we are discussing introduction of a system of payments for specialized water use, but it contains serious defects, since it calls for the following: 1) only penalties for overconsumption of water, but no constructive incentives for above-standard conservation; 2) charges for water only for certain consumers using less than half of the resources to be consumed, while there is no charge for the principal water consumer--irrigation farming.

In conclusion the speaker raised the question of working out a global and long-range conception of development of the system of planned prices, which would reflect all types of prices (wholesale, purchase and retail) and rate schedules. It should become a system in essence and not just in name. There is a need for close interaction of all prices and for them to jointly influence the consumer's behavior.

In order to work out a long-range conception of development of the price system research needs to be intensified in the domain of building a model of the planned price, of creating methods of bringing price levels into conformity with the tasks of the national economic plan for product production and distribution, creation of methods of guaranteeing consistency among prices, personal income and volumes of consumer goods and services; creation of methods of economic evaluation of the sum total of production resources, including natural and labor resources above all. Here we need close cooperation between scientists and practicing price drafters.

L. V. Kantorovich, member of the academy and division head of VNIISI [ex-[All-Union Scientific Research Institute of Systems Research] of USSR State Committee for Science and Technology and the USSR Academy of Sciences, emphasized that over the last 15 years economic science has made substantial progress in understanding the economic laws of advanced socialist society and has been bolstered with new instruments (mathematical modeling, electronic computers and the economic experiment). The theory of price setting has undergone development, the number of scientists has increased, price agencies have become stronger, practical experience has been acquired, and so now the task of setting up a price system built on uniform scientific principles and methods of computation and consistent with the entire economic mechanism can be posed to its full extent. It is an indispensable element for carrying out the decrees dated 12 July 1979, which have made requirements even stricter concerning accuracy, internal consistency and correct differentiation of prices.

The speaker discussed the role and principal functions of prices in a socialist economy. First, in the context of a planned economy prices are the basis of economic, technical and project planning decisions. Only by relying on them can different decisions be compared in economic terms and a choice made. This determines the most important condition: the system of prices must afford the possibility of making the correct and most efficient choice of solutions from the standpoint of the national economy. Second, prices serve as the basis for aggregation of synthetic (value) indicators



such as the national income, the volume of sales, net output, labor productivity, etc. Consequently, the price system affects their quality and the planning computations, balance computations, supply computations and analytical computations that are based on them. Third, the price mechanism has an impact on economic activity at the local level and on the structure of production and consumption through cost accounting and through evaluation of the performance of enterprises. Consistency of decisions at the lower level with the national economic plan depends essentially on this mechanism.

L. V. Kantorovich, member of the academy, described what he takes to be the general principles of price setting. Socially necessary expenditures involved in production of a given product should be the basis of the price. By the socially necessary expenditures are meant the full costs of all types to the national economy: both current--labor and material, as well as capital costs, including indebtedness contracted for capital investments and utilization of limited natural resources and the scientific potential. These costs should not be confused with average actual costs. The price needs to take into account the social efficiency of the product, its performance characteristics.

The system of prices and the rational plan of economic development should in principle be interconnected. The principle of the theory of optimum planning, which provides the basis for the possibility of this kind of correlation, has extremely great importance, since it correctly determines the role of the price mechanism and does not set it in opposition to the plan, but regards it as a means of supporting and fulfilling the plan. These principles are being implemented ever more fully in the practical efforts of our economic agencies as well, price agencies in particular.

At one time many economists felt that prices are based exclusively on current costs. The decision taken by the September (1965) Plenum of the CPSU Central Committee on taking capital into account in the price, which radically altered the makeup of the price, therefore had fundamental importance. In connection with that decision the charge on capital was introduced and the time factor began to be taken into account by means of discounting. These principles were further confirmed in the decrees of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979. They emphasized once again that the charge on capital should as a rule be set at 6 percent and also that the list of capital assets on which a preferential charge is collected should be reduced. It is impermissible to revise these principles on taking capital charges into account; they need to be implemented ever more accurately and consistently.

L. V. Kantorovich, member of the academy, remarked that at present capital intensiveness is included in the price in aggregated form, not completely, and that the capital component is not based on the capital intensiveness of a specific product, but is derived from the average capital intensiveness of the industry. As a result a product long since put into production,

which as a rule will have a specific capital intensiveness below the average for the industry, but a higher materials intensiveness, is awarded a higher profitability and is afforded a more advantageous position than a progressive product just being put into production. In the light of the decrees dated 12 July 1979 it is becoming an urgent task to make price calculations more precise and concrete, specifically in taking into account the capital component. The net output indicator is undoubtedly more sound and correct from the theoretical standpoint, but it is sensitive to the quality of the data involved in its calculation, in particular to the correctness of the prices used. Only the use of the soundest and most differentiated prices will make it possible to distinguish profitable articles from unprofitable ones and to make a correct evaluation of production performance.

There is a need for further improvement of the computation of net output; the time factor and various types of resources (land, water, timber, minerals, and so on) should be taken into account more systematically. The question of the advisability of introducing a charge on water and land in agriculture and of reflecting them in procurement prices for products of agricultural production in cost accounting and in relations between these enterprises and the state is especially important. This would stimulate creation of various economic possibilities for enterprises whose conditions are different and which are in different zones, it encourages production specialization and optimum location of production, and, the main thing, it promotes greater intensification of agricultural production and the best utilization of its resources.

Conservation of resources is promoted by differentiation of prices and rate schedules. Differentiation of rate schedules for electric power as a function of time would result in a more uniform load on power stations, would eliminate peaks, and would encourage performance of power-intensive processes mostly at night. Regional differentiation makes it easier to assign consumers correctly to suppliers. It might be advisable to differentiate transportation rates by seasons as well. There should also be differentiation of various surcharges in supply, trade and food service.

In the decrees dated 12 July 1979 great importance is paid to the comprehensive program of scientific-technical progress and to long-range plans of socioeconomic development; this pushes into the foreground the problems of price dynamics and the tasks of forecasting and planning prices as a necessary element of future-oriented economic calculations and of scientific-technical assessments.

L. V. Kantorovich, member of the academy, especially stressed that improvement of price computation will very greatly increase the amount of information to be reworked and is possible only if extensive use is made of mathematical models and electronic computers.

N. P. Sorokin, director of TsNIIchermet, spoke about the work of industry-wide institutes of ferrous metallurgy employed in stating the basic principles of the decrees dated 12 July 1979 in concrete terms relative to the conditions of metal production concerning improved utilization of metal in the national economy and higher operating efficiency of metallurgical enterprises. A number of papers have been drafted on normative methods, and specifically preparations are being made for experiments devoted to use of net output indicators to evaluate production efficiency.

Having described the most important directions of efforts in the field of setting prices of various types of products of ferrous metallurgy, N. P. Sorokin paid considerable attention to the new price list. This price list guarantees compensation of higher costs in ferrous metallurgy and a higher profitability in the production of rolled products of ferrous metals and creates favorable conditions for most enterprises and associations in ferrous metallurgy. In it optimum relations are adopted for the most important types of rolled products. It creates conditions for the stimulation of production and consumption of the most efficient forms of rolled products, of reduction of metal intensiveness at the consumer's end, of an increase in the service life of equipment, and of replacement of scarce products with products which are less scarce. The new price list reflects constructive changes that have taken place toward improvement of the production structure, improvement of the assortment of products and the rise of product quality.

In the price list the new prices ensure improvement of the profitability relationship to the advantage of the most efficient products. Fundamentally new charges have been introduced for various types of guarantees on the part of metallurgists concerning specific performance characteristics (fatigue, creep, durability, etc.) and guarantee of the performance of metal under a variety of different conditions.

The project of drafting the price list was conceived on the assumption that computers would be used with the method of standard parameters. TsEMI furnished a great deal of help in this respect. Mathematical economic models and programs were worked out; they made it possible in a very short time to make calculations in several variations as a function of variation of individual parameters and to choose the optimum variants for the various sections of the price list. Consequently, as an analysis conducted by the Data Processing and Computer Center of the Scientific Research Institute of Prices has shown, the calculated values of prices are very close to the given optimum curves, which take into account expenditure of metal, the labor intensiveness of production and the profit distribution that stimulates production of the most labor-intensive and economical types and sizes of rolled products. About 90 percent of all the values of prices correspond to the given curves for all grades and types of rolled products.

The work that has been done is the first stage in improving the setting of prices on metal products. It remains to solve a number of problems which

make it possible to increase the efficiency of production incentives and incentives for use of metal in the national economy in conformity with technical progress and development both of ferrous metallurgy and also of the industries consuming metal.

Papers were also presented by G. I. Nuzhdikhin, deputy USSR minister of coal industry; V. P. Belyakov, general director of the NPO [Scientific-Production Association] Kriogenmash and corresponding member of the USSR Academy of Sciences; etc.

The work of the conference was done in five sections: 1) theory and methodology of price setting; 2) prices of products of the fuel and energy complex and raw materials branches of heavy industry; 3) prices of the products of machinebuilding and net output norms in the industrial sector; 4) prices of consumer goods and rate schedules of services to the public; 5) prices of the products of agriculture.

The conference's recommendations emphasized that the main direction for further improvement of the present system of prices should be to reduce wholesale prices by reducing expenditures of materials and labor in production, by reducing production costs and by performing other measures aimed at attaining high profitability and efficiency. Prices should in reality become one of the most important instruments for carrying out the party's economic policy.

Ministries and departments of the USSR and the union republics, enterprises and organizations, USSR Goskomsen, and republic and local price-setting agencies are called upon to pay particular attention to the problems of punctual and competent preparation of new price lists and to take immediate steps to correct the shortcomings that now exist in this work.

In the preparation of new wholesale prices and rate schedules and in the further effort to improve prices the role of wholesale prices and rate schedules should be strengthened as an incentive of scientific-technical progress, of strictest conservation of fuel and power, ferrous and nonferrous metals, raw materials and supplies in the national economy, and higher product quality. The following are necessary to achievement of these goals:

- i. socially necessary expenditures in production of products need to be reflected more fully in prices and wholesale price levels and relations need greater economic substantiation;
- ii. when new wholesale prices are set, consideration should be given to assignments set forth for reduction of production costs and the rise of labor productivity, to progressive rates of consumption of fuel and energy and other resources and also efforts to make better use of fixed and working capital;



iii. the production cost must not be allowed to include all sorts of non-productive expenditures and losses, nor should rates of consumption of raw materials and supplies be allowed to go too high, and that also applies to labor costs;

iv. outlays of materials and labor should be calculated at technically sound rates.

In view of the great importance of punctual preparation and approval of net output norms, USSR Gosplan, USSR Goskomsen and ministries and departments of the USSR and the union republics are called upon to pay particular attention to providing methods supervision over this work, to speed up the writing of industrywide methods documents on preparation of net output norms. Jointly with the scientific research organizations of sectors and industries, they should make competent preparation of net output norms within the period allotted.

When prices are being set on new products, the principle of reducing prices for new technology per unit of useful benefit should be applied consistently, more extensive use should be made of supplements to prices of highly efficient new products and of price reductions on obsolescent products, prices should be used as an aid in strengthening economic incentives for faster development and application of fundamentally new technology. It is recommended that USSR Goskomsen speed up approval of the new edition of "Method of Determining Wholesale Prices of New Products for Industrial and Technical Purposes," making provision for enhancing the role of ceiling prices in strengthening the responsibility of clients, developers and manufacturers for the economic soundness of outlays for new products. Wholesale prices of industrial products should be kept unchanged until the end of the 3-year period, dropping if cheaper materials are used without detracting from the quality of the product produced.

There is a need to improve the mechanism for application of such value indicators as the charge on water, stumpage, rent payments, deductions for geological exploration and recultivation of land, and economic evaluation of natural resources and the structuring of prices for raw materials containing a complex of mineral components should be oriented toward creation of cost-accounting motivation of enterprises to extract those components fully and process the raw material more thoroughly.

The recommendations call for greater soundness of regional differentiation of prices and rate schedules so as to guarantee their role as an incentive of efficient location of production, reduction of transportation costs and faster development of the country's eastern regions.

To increase the influence of shipping rates on the efficiency of operation of freight transportation, the location of production, the interaction of the various branches of transportation, optimum distribution of traffic among them, and reduction of shipping costs in the national economy it

would be advisable to organize work to devise the following: uniform principles governing methods of shaping the system of rate schedules for all branches of transportation; mutually consistent systems of rate schedules in mixed transportation where different branches of transportation are operating alongside one another; rate schedules for the different branches of transportation that motivate enterprises and organizations to transfer short-haul freight shipments to the trucking industry.

In the revision of wholesale prices of consumer goods attention should be paid to stimulating the production of goods with higher quality and to expansion of the assortment in conformity with the demand of the public and, in particular, production of goods for children, and in the setting of retail prices of new consumer goods, they must be differentiated so as to take into account quality and other performance characteristics of the goods, and consideration should be given to encouraging the production of all goods that are in demand with the public.

It was recommended that the Interdepartmental Scientific Council for Problems of Price Setting, USSR Goskонтсен and the USSR Academy of Sciences, taking into account the recommendations of this conference and the results of the revision of wholesale prices and rate schedules in the industrial sector, compile a plan for coordination of the most important research in the field of price setting for the 11th Five-Year Plan and over the long run and invite broad sections of the scientific community and practitioners to discuss it.

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## INDUSTRIAL DEVELOPMENT AND PERFORMANCE

### GOSPLAN SPECIALISTS ADVOCATE QUICK PROJECT COMPLETION

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 9, Sep 80, pp 83-88

[Article by P. Chekhovskoy, chief specialist, USSR Gosplan, and I. Kozhevnikov, senior scientific associate, NIIPIN of USSR Gosplan: "Accelerating the Incorporation of Enterprises That Have Been Put into Operation Is an Important Source of Production Growth"]

[Text] In the first four years of the 10th Five-Year Plan 34 percent of the fixed production capital of industry was renewed. About 1,000 large new enterprises were put into operation and a significant number were redesigned and expanded. This made it possible to increase capacities for the production of iron ore, hard coal, rolled ferrous metal products, steel pipe, sulfuric acid, mineral fertilizer, chemical fibers and threads, trucks, farm machinery, pulp, knitted underwear, and furniture between five and 35 percent.

Each year enormous material, labor, and financial resources are expended to build new and rebuilt and expand existing enterprises and works. Under conditions of rapid increase in the scale of production and production specialization and cooperation, hundreds of related enterprises and installations of different economic sectors are oriented to products that must be produced by new, rebuilt, and expanded enterprises. Newly launched enterprises and facilities have new, progressive equipment, and this accelerates technical progress in the national economy. In view of the continuous growth and technical improvement of production, a large number of the technically most progressive enterprises, shops, and installations are constantly in the stage of introducing and incorporating their projected capacities. Therefore, timely incorporation and complete use of new and rebuilt enterprises that have been launched is one of the most important ways to raise the efficiency of public production.

The collectives of leading industrial enterprises bring newly launched facilities to projected technical-economic indicators on time or ahead of schedule. According to the results of a study by NIIPIN [Scientific Research Institute of Planning and Standards] more than 40 percent of the industrial enterprises and facilities launched incorporated their

projected capacities on time or ahead of schedule. At these enterprises the average actual length of the incorporation period was 24 percent lower than the standard for all industry; at enterprises of the USSR Ministry of Petroleum Refining and Petrochemical Industry the figure was 42 percent lower, while at enterprises of the USSR Ministry of Coal Industry it was 36 percent lower, for enterprises of the USSR Ministry of Ferrous Metallurgy 31 percent, and for enterprises of the Ministry of Chemical Industry the average duration was 28 percent below the standard.

For example, the incorporation time for the projected capacity of blast furnace No 3 at the West Siberian Metallurgical Plant was six months against a norm of 12 months. Comparable figures are as follows: five and nine months for a continuous steel pouring installation at the Cherpovets Metallurgical Plant; three and six months for apatite concentrate capacities at the Apatit Production Association; five and nine months for a sulfuric acid unit at the Rozdol Sera (Sulfur) Association; four and six months for a caustic soda unit at the Berezniki Soda Plant; four and nine months for a synthetic cord unit at the Zhitomir Chemical Fiber Plant. Large capacities for the production of synthetic ammonia were incorporated at the Novgorod and Novomoskovskiy Azot (Nitrogen) Production Associations in two and four months instead of the 12-month norm. The projected capacities of the fourth and fifth converters of the Novolipetskiy Metallurgical Plant and the primary oil refining unit of the Mozyr' and Lishichansk refineries were incorporated ahead of schedule. There are examples of incorporation of capacities ahead of schedule in all sectors of industry.

The experience of these and other associations and enterprises shows that, where other conditions are equal, the principal factors in accelerating the incorporation of projected capacities are: complete and high-quality performance of all construction-installation and start-up jobs; recruitment of workers ahead of time, giving them training and production experience at related enterprises, and having them take part in equipment installation and start-up work; complete and timely supply of necessary material-technical and other resources for facilities being launched.

But in many cases similar projects with the very same normative incorporation times are in fact incorporated at different times. For example, the facility for iron ore production introduced at the Stoylenskiy Mining and Concentrating Combine in Belgorodskaya Oblast was incorporated in seven months compared to a norm of nine months while at the Dneprovskoye Mining and Concentrating Combine, with the same standards, the capacities of the first and second complexes, which were launched in 1975 and 1976 respectively, were not incorporated until 1979.

Figures for 1976-1979 illustrate that while there were many enterprises and installations that completely incorporated projected capacities on time, about 60 percent of the new, expanded, and rebuilt facilities that had been launched and for which normative incorporation times had expired



were not being used to full projected capacity. For example, in the first half of 1979 projected capacities were not fully used at 1,283 new industrial enterprises and installations, among them sites belonging to the Ministry of Chemical Industry, the USSR Ministry of Light Industry, the USSR Ministry of Rural Construction, and others. Among these projects 360 (28 percent) were less than one-half incorporated. More than half of the total number of projects had been in the incorporation stage for more than three years. In addition, incorporation of projected capacities was behind schedule at more than 60 percent of the newly launched enterprises for which normative incorporation periods had not yet expired.

Calculations show that failure to incorporate newly launched capacities on time and use them fully during the first 3.5 years of the current five-year plan led to a significant shortfall in output, including iron ore, hard coal, steel pipe, mineral fertilizer, sulfuric acid, synthetic resin and plastics, chemical fibers and threads, freight cars, and cotton, woolen, and coarse fabrics. These large losses are made worse by the disruption of proportionality and development of related production works, which leads to a decline in the level of use of existing production capacities and material, labor, and financial resources in industry and other sectors of the economy.

The chief reasons for slow incorporation of projected capacities of newly launched, and also expanded and rebuilt, industrial enterprises and facilities in 1976-1979 were: a shortage of raw and processed material; a shortage of electricity, fuel, water, and gas; a lack of skilled workers. Other telling factors were flaws in the organization of production and production operations, defects in equipment delivered by machine builders, unfinished work by construction and installation workers, failure to coordinate capacities being launched, and mistakes in construction plans. In many cases several of these factors operated at the same time at the same enterprise to cause delay in incorporation of capacities. Some of the factors have fairly constant importance.

More than half of the enterprises and installations introduced were incorporated slowly or not used to full projected capacity because of breakdowns in plans for supply of raw and processed materials and fuel-energy resources. This circumstance, in its turn, was largely caused by unsatisfactory organization of planning, construction, and introduction of capacities. For example, the projected capacity for production of phenol-formaldehyde resins at the Orekhovo-Zuyevo Karbolit Production Association (launched in December 1976) was 56 percent incorporated in 1977, 57 percent in 1978, and 98 percent in 1979 whereas the norm was four months. The reason was a shortage of phenol and Formalin.

Such a situation comes about not only as the result of violations of planned times for introduction of new, redesigned, and expanded

industrial enterprises and facilities in related industrial sectors but also because of failure to supply construction projects with equipment, pipe, and other articles. For this reason it seems advisable to modify the established procedure for allocating such things only in the year that projects are turned over for operation; this year frequently does not coincide with the normative time for fulfillment of construction and installation work. Eliminating breakdowns in supply of raw and processed materials and fuel-energy sources to enterprises and installations that are being launched also requires improving organization, planning, and management in construction and related industrial sectors following the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979.

Incorporation times and the technical level and efficiency of new, rebuilt, expanded, and technically re-equipped enterprises are determined in large part by the quality of contract (contract-detail) designs. During planning and also in the stage of development of technical-economic substantiation or other precontract documentation that takes the place of technical-economic substantiation, all conditions and decisions that insure rapid incorporation of projected capacities and economic indicators at newly launched enterprises and installations should be worked out in detail. This requirement is often not met, however, and this has a negative effect on the quality of planning and the realism of the technical-economic indicators established by planning. As a result, one out of five new or rebuilt enterprises cannot incorporate projected capacities on time or meet other indicators because of planning errors.

For example, because of planning errors made by the State Union Institute for Designing Basic Chemical Industry Plants and the Scientific Research Institute of Fertilizers, Insecticides, and Fungicides imeni Professor Ya. V. Samoylov, it took 36 months to incorporate superphosphate production capacities at the Samarkand Superphosphate Plant. The projected capacity for production of nitroammophos at the Rovno Azot Production Association has not been incorporated in over two years, primarily through the fault of the above-mentioned State Union Institute. Planning organizations in such cases are not materially liable for the quality of the plans they develop and turn over to the customer; they receive their payment for the documents, and employees may also receive bonuses, before the enterprise or installation they have planned is launched. So we find that employees of the institute make mistakes that cost the state dearly, but at the same time they are receiving bonuses. This is an intolerable distortion of the principle of payment for labor.

In 1976 USSR Gosstroy instituted a new instruction on writing plans and estimates according to which planning organizations must develop a special section that contains the substantiation for organizational, technical, and other measures to insure incorporation of the projected capacities within normative times. The application of this instruction

has brought planners closer to participation in incorporating the capacities of the enterprises and installations they plan. But it is only a partial solution to the problem.

To secure more active participation by planning organization in incorporation of production capacities with appropriate economic indicators, in our opinion they should be made directly liable for achievement of projected indicators by new enterprises and installations within normative times. It would be advisable for this purpose to introduce a procedure by which the planning organization, when turning over documents, would receive an advance payment of about 70-80 percent of the value of the work done from the customer, with the remainder paid after the installation has incorporated the projected capacity and met the primary projected economic indicators. The planning organization could receive bank credit to compensate for capital that is temporarily lacking and needed to cover current expenditures. But bonus payments to planning workers for the completed plan would be made only on the condition that the installation incorporated the basic planned technical-economic indicators on schedule.

Many newly launched industrial enterprises and installations do not incorporate capacities on time because of equipment defects. In a speech to a pre-election meeting of voters in February 1980 Chairman of the USSR Council of Ministers A. N. Kosygin pointed out that, "Today, when the machinery being produced is more and more complex and expensive, the machine building ministries must make certain that the necessary work is done to assemble and debug the equipment, be responsible for its quality, and guarantee timely attainment of projected productivity."<sup>1</sup>

The poor quality of equipment delivered by machine builders is frequently the chief difficulty in full and timely incorporation of projected capacities. It is chiefly owing to equipment defects that large-scale production facilities cannot be incorporated for a long time in these cases: synthetic ammonia at the Rovno Azot Production Association; sulfuric acid at the Novgorod Azot Production Association and the Sumgaithkhimprom [Sumgait Chemical Industry] Production Association; nitrophos at the Dorogobuzh Nitrogen Fertilizer Plant. At the Crimean Titanium Dioxide Plant numerous defects in the equipment began slowing down work immediately after introduction of the ammophos production unit; the mixers and reducers of the extractors, which were delivered by the Tambovkhimmash [Tambov Chemical Machinery] Plant quickly went out of order and the carousel vacuum filter manufactured by the Uralkhimmash [Ural Chemical Machinery] Plant worked poorly. The list of similar cases could be continued.

These problems result primarily from the fact that under existing practices equipment manufacturing plants are not in fact responsible for

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<sup>1</sup>PRAVDA 22 February 1980

timely incorporation of capacities based on equipment that they produced. The mutual relations of the manufacturer (supplier) and purchaser of equipment are limited to the purchaser's obligation to sign the certificate of damage within three days of the arrival of the freight. After this payment for the equipment is made automatically based on shipping documents and this practically exhausts the supplier's obligations to the customer. However, the arrival of equipment for a project that is under construction does not by itself mean that the equipment is in good working condition and that the productivity and other parameters shown in the factory certificate can be attained within established periods.

In our opinion, the enterprise that manufactures the equipment is obligated to make certain, through its representatives, that the equipment attains the working indicators guaranteed by its factory certificate. Where defects are found the faulty equipment should be partially or completely replaced, repaired, or essential spare parts delivered without charge and without allocation of any additional assets by the enterprise that is purchasing the equipment during the time needed to insure incorporation of the installation according to standards.

Many newly launched enterprises and installations do not incorporate projected technical-economic indicators on schedule because of shortcomings in the organization of production and production operations and owing to a shortage of qualified workers. These factors are closely interrelated. The failure of newly launched and rebuilt installations to attain projected working indicators because of shortcomings in production organization and operations is frequently the result of unqualified service personnel and lack of cadres.

Enterprise experience shows that one of the main factors in successful work during the period of incorporation is good preliminary training for service personnel and meeting the socioeconomic needs of the collective at the proper time. For example, the Balakovo Chemical Plant was unable for a long time to incorporate its projected capacity for production of mineral fertilizers. The main reason was lack of proper attention to vocational, economic, and party political preparation of cadres and construction of housing, nursery schools, dining halls, and cultural-domestic facilities. This led to high worker transience and failure to meet assignments for incorporation of capacities. Taking care of these problems by carrying out an appropriate program of measures made it possible to double the production of mineral fertilizer between January and October of 1979. Therefore, thorough study, generalization, and dissemination of sophisticated methods of training service personnel and organizing production in the corresponding sectors of industry is one of the principal ways to accelerate the incorporation of projected capacities at newly launched enterprises and installations.



A large number of newly launched enterprises and facilities fail to incorporate projected capacities on schedule because of poor quality and incomplete construction and installation work. Of course, according to the operative statute projects which have incomplete aspects that prevent normal operations cannot be turned over for use. In practice, however, this statute is frequently violated. In our opinion, this situation is promoted by the ambiguity of the rules for accepting projects for use given in the Construction Norms and Rules ratified by USSR Gosstroy in 1976. They state that projects whose construction is completed are accepted for operation on the condition that the output envisioned by the plan has begun to be produced on installed equipment. But this does not specify either the amount of this output or the productivity of the basic industrial equipment at the moment that the project is turned over. Such acceptance conditions do not permit ascertaining the actual working condition of all the equipment and the quality of construction and installation work. Therefore, it would be advisable to state these rules more definitively and stipulate in them that production projects whose construction has been completed are accepted for use by the state acceptance commission only under these conditions:

1. all debugging work is done and a thorough check of industrial, transportation, and electrical equipment and control and measuring instruments is made before turning over the project for operation;
2. by the time that the project is turned over it has begun to produce standard output in the assortment envisioned by the plan and the equipment has reached at least 50-70 percent of projected productivity, making it possible to guarantee incorporation of the capacity of the project within the normative time.

Experience gained in this field in East Germany can be employed in working out steps to eliminate cases of accepting industrial projects with major shortcomings. According to the procedure used there, the certificate of acceptance of industrial enterprises and installations for permanent operations is signed not after completion of thorough equipment testing and receiving finished products of the required quality, but rather after solidly attaining projected capacity. Before this time the enterprise is considered to be operating on a temporary basis.

Approval and other alternative ways to organize acceptance of enterprises and installations for industrial operation are possible. For example, the state acceptance commission can accept installations for permanent operations with all the consequences that follow from it in the way that it is done now. However, it is advisable for the appropriate higher-ranking body (USSR Council of Ministers, ministry, or department) to ratify the act of the state acceptance commission only upon completion of the incorporation process. The institution of such a

procedure together with steps to improve the activities of planners and machine builders, as mentioned above, would strengthen the accountability of planning, construction-installation, and start-up organizations and equipment suppliers and purchasers for timely and complete incorporation of newly launched industrial enterprises and installations.

Norms for the length of incorporation of projected capacities and economic indicators are an important means of accelerating the incorporation of enterprises and installations being turned over for operation. Observation of such norms during the planning of industrial production prevents incomplete introduction of industrial installations and launching installations with unfinished construction; it stimulates implementation of organizational-technical measures at enterprises to accelerate the incorporation of production capacities and economic indicators; it insures the possibility of sound planning for the activities of new enterprises from their first days of operation. If norms for the length of the process of incorporating projected capacities and economic indicators are to play their role successfully they must be progressive and scientifically sound.

Methodological principles for determining norms for the length of incorporation of projected capacities and economic indicators were ratified by USSR Gosplan on 29 March 1979 after preliminary review in the ministries, departments, state planning commissions of the Union republics, and sectorial divisions of USSR Gosplan. The guidelines were then distributed to ministries and departments for use in practical planning of industrial operations. Ministries and departments use them as a basis in developing sectorial instructions taking into account the specific technological and organizational characteristics of enterprise activity.

The process of incorporation of projected capacity and basic economic indicators is defined in the methodological principles as a set of organizational, technical, and economic measures that make it possible to bring the work of an enterprise or installation that has been launched to the level envisioned by the plan. The term "installation" means either an entire enterprise or particular parts of it (stages, start-up complexes, shops, sections, aggregate units, machines). The projected capacity of an enterprise or installation is defined as the potential for production of output or processing of raw material in a year (day, shift) appropriate to the productivity and working regime of the set of industrial equipment (machinery and aggregates) with the assortment, nomenclature, and quality envisioned by the plan.

The methodological principles indicate the classification traits that are recommended for grouping enterprises and installations when developing norms for the length of the process of incorporating projected capacities and economic indicators. They also enumerate the types of jobs and operations whose performance time is considered in compiling

these norms. The time for performance of jobs and operations considered during establishment of these norms is determined by calculation using the appropriate design, planning, technical, technological, and normative documents developed for the particular enterprise or installation or similar enterprises and installations.

To make duplicating, check calculations of these norms the methodological principles recommend techniques for determining them by the operations data of enterprises and installations that have incorporated projected capacities on time and ahead of schedule. Statistical data on the activities of such enterprises and installations are found in periodic reports published by the USSR Central Statistical Administration. These techniques were used widely and successfully for centralized determination and revision of norms in 1969, 1974, and 1978.

Incorporation of the projected capacities of newly launched enterprises and installations will meet the demands of raising production efficiency only if it is accompanied by incorporation of the basic projected economic indicators: labor productivity, prime cost of output, and profitability.

The methodological principles begin from the view that the normative length of incorporation of the basic projected economic indicators coincides with the normative length of incorporation of projected capacities for the corresponding enterprises and installations. This is based on the fact that if the projected number of service personnel at the newly launched enterprise or installation has been correctly determined, achieving the projected volume of production corresponding to the projected capacity also means achieving the projected labor productivity.

The coincidence of norms for the length of incorporation of projected capacity and prime cost of output is based on the following:

1. compliance with the projected number of service personnel and average wage payments per employee also means achieving projected expenditures for labor calculated per unit of output;
2. incorporation of production technology, the working parameters of aggregate units, devices, and machines as established by plans and technological regulations, also means achieving projected norms for use of raw and processed materials, fuel-energy resources, and other resources calculated per unit of output produced;
3. smooth, steady operation by the newly launched enterprise or installation, which is the result of eliminating problems with the work of the equipment.

acquisition and reinforcement of solid skills in using it by workers and engineering-technical personnel, practical introduction of progressive forms of labor organization, and establishing precise internal and intersectorial links (all this makes it possible to incorporate the projected volume of production) means eliminating shortcomings in work and bringing shop, general plant, external, and other expenditures into line with the projected calculation of prime cost of output.

In turn, achieving the projected prime cost of output with the planned production volume, amount of fixed production capital, and norm-controlled working capital also means incorporating the projected figures for profit and profitability.

According to the USSR Gosstroy instruction, the basic projected economic indicators subject to incorporation are worked out both for the enterprise as a whole and for its parts (stages, start-up complexes, shops, aggregate units, and units) in conformity with the rules adopted in each sector for launching enterprises and installations. The normative levels of incorporation of projected economic indicators are determined on the basis of the production volume established according to the norm for length of incorporation of projected capacity. Absolute values for calculating normative levels of incorporation of the basic projected economic indicators are adopted on the basis of planning data for the enterprises and installations being launched taking into account properly ratified changes in the nomenclature and assortment of output produced, prices, basic wage rates, and other conditions.

Concurrent incorporation of projected capacities and basic economic indicators is accomplished at leading enterprises and installations in many industrial sectors. In 1978, for example, of 692 industrial installations studied that incorporated projected capacities, 257 (37 percent) had a level of actual prime cost of production of output equal to or lower than the projected level. The share of newly launched industrial installations that had incorporated projected labor productivity and projected capacity in 1978 was even higher, 84 percent of 606 installations surveyed. In 1979 one-third of the newly launched enterprises and installations incorporated projected capacities and prime cost of output and four-fifths also achieved the projected labor productivity.

These figures illustrate that there are no good reasons to establish normative periods for incorporation of projected economic indicators that are longer than normative periods for incorporation of projected capacities. Incorporation of projected indicators for labor productivity and prime cost of output lag behind periods for incorporation of projected capacity at many enterprises because of a lack of ratified



norms for the length of the period of incorporation of basic economic indicators and also because inadequate attention is given to organizing timely incorporation of projected economic indicators by both planners and start-up and operations personnel.

According to decree No 63 of USSR Gosplan, dated 10 May 1978, USSR ministries and departments and the councils of ministers of the Union republics are urged to develop and ratify steps for each newly launched enterprise or installation to insure incorporation of projected capacities and economic indicators within the period of the norms established by this decree. At the present time, the ministries and departments and their sectorial institutes are working out sectorial instructions, based on the methodological principles ratified by USSR Gosplan, for determining norms of length of incorporation of projected capacities and economic indicators and also norms and normative levels of incorporation of projected indicators for labor productivity, prime cost of output, and profitability. This work should be completed in time for these norms to be used in developing national economic plans for 1981-1985.

The work being done by USSR Gosplan, ministries, departments, and scientific research organizations to improve the process of establishing norms for incorporation of newly launched enterprises and installations taking account of scientific-technical advances and the practices of leading enterprises has made it possible to establish and introduce new, more progressive norms. As a result, the average norm for length of time to incorporate projected capacities for the group of industrial sectors being compared has dropped considerably. In 1969 it was 18.2 months, whereas in 1974 it was 12.4 months, and in 1978 it was 9.3 months.

At the same time as norms for length of incorporation have been reduced for certain industrial sectors the volumes of production in the first years of activity of new enterprises and installations have been increased by 5-40 percent. According to approximate calculations, the introduction of new, more progressive norms insures additional growth of 5-6 billion rubles a year of output by newly launched enterprises and installations.

Economic stimulation for collectives is very important to accelerate the incorporation and full use of newly launched, rebuilt, and expanded enterprises and installations. The decree of the CPSU Central Committee and USSR Council of Ministers on improving the economic mechanism prescribes consideration of compliance with schedules for incorporation of production capacities (by established norms) and projected indicators of labor productivity and prime cost of output when forming economic stimulation funds and awarding bonuses to employees. It is important to step up the practical implementation of this facet of the decree.

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## REGIONAL DEVELOPMENT

### IBRAGIMOV REVIEWS GROWTH OF AZERBAIJAN ECONOMY

Moscow PLANOVYE KHOZYAYSTVO in Russian No 9, Sep 80 pp 13-24

[Article by A. Ibragimov, chairman of the Council of Ministers of the Azerbaijan SSR: "The Growth of the Economy of the Azerbaijan SSR"]

[Text] The July 1980 Plenum of the CPSU Central Committee was an outstanding sociopolitical event in the life of the party and Soviet people. It decreed that the next, 26th Congress of the CPSU be convoked on 23 February 1981. The vivid, profound report by General Secretary of the CPSU Central Committee L. I. Brezhnev and the decisions made by the Plenum are a fighting program of action for the upcoming period, a mighty lever, and an inspiring new stimulus to a further rise in the labor and political activism of the working people and broad development of socialist competition for successful performance of the assignments of the final year of the 10th Five-Year Plan, to celebrate the 26th party congress in a worthy manner.

In April of this year the working people of Azerbaijan celebrated the 60th anniversary of the Azerbaijan Soviet Socialist Republic and the Communist Party of Azerbaijan. The celebration of this great holiday became a demonstration of the triumph of Lenin's wise nationality policy and the indestructible friendship of the fraternal peoples of the Land of Soviets. During 60 years of Soviet power, thanks to the heroic labor of the workers, kolkhoz members, and labor intelligentsia under the direction of the party and with the fraternal aid of all the peoples of the USSR led by the great Russian people, Azerbaijan has made truly remarkable progress in development of its economy, science, and culture.

The working people of Azerbaijan, consistently following the resolutions of the 25th CPSU Congress and Plenums of the CPSU Central Committee and carrying out the points and conclusions contained in the reports and statements of General Secretary of the CPSU Central Committee and Chairman of the Presidium of the USSR Supreme Soviet L. I. Brezhnev, having developed broad socialist competition, fulfilled the assignments of the 10th Five-Year Plan for production of industrial and agricultural output

ahead of schedule, in March of this year, just before the 110th anniversary of the birth of V. I. Lenin and the 60th anniversary of the Azerbaijan SSR and Communist Party of the republic. The Azerbaijan SSR was awarded the Order of Lenin for its great successes in economic development and fulfilling its 10th Five-Year Plan assignments ahead of schedule. L. I. Brezhnev sincerely and warmly congratulated the working people of the republic on this outstanding labor triumph. Our working people received the country's award and the sincere congratulations of the head of the Soviet State as an expression of the great trust of the Leninist party and a new manifestation of the constant attention and concern which the CPSU Central Committee, Politburo of the Central Committee, the Soviet Government, and L. I. Brezhnev personally show for Azerbaijan, its cultural and economic development, and the well-being and happiness of the entire Azerbaijan people.

The last decade occupies a special place in the glorious chronicle of Soviet Azerbaijan owing to the scope, comprehensiveness, and pace of socioeconomic development. The years of the Ninth and 10th five-year plans have been the best in its history. They have seen unprecedentedly high and stable rates of development in all sectors of the economy, a steady increase in the production of industrial and agricultural output year after year, fulfillment and overfulfillment of plans and socialist obligations, and significant improvement in quality indicators for all sectors of the economy. During this time national income has doubled, industrial production rose 2.2 times, and gross agricultural output increased 2.1 times. In 10 years 15 billion rubles was invested in the Azerbaijan economy, more than had been invested in the 20 years preceding. The road to these achievements was not easy. At the start of the Ninth Five-Year Plan there was a serious lag in the development and location of production forces. Failure to fulfill plan assignments in the republic led to a situation where the volume of industrial production in 1970 for the country as a whole was almost 12 times greater than in 1940, but in Azerbaijan it was just 5.5 times greater. The severe lag in the republic's socioeconomic development was graphically demonstrated by indicators of national income, volume of industrial production, and others in comparison with the corresponding USSR average figures.

L. I. Brezhnev pointed out significant problems in the economy and the low rate of growth in industrial production and development of agriculture in Azerbaijan. Decisions that were important for the economy of our republic were made at his personal initiative; they envisioned higher rates of development of industrial and agricultural production.

The serious lag in development of the republic's productive forces was reviewed and analyzed in a principled party manner at the 28th Congress of the Communist Party of Azerbaijan and the plenums of its Central Committee. Major steps were outlined to eliminate these shortcomings and concrete ways were defined to achieve accelerated development of productive forces.

As a result of the purposeful organizational and party political work of the Central Committee of the Communist Party of Azerbaijan and the heroic efforts of the working class, kolkhoz peasants, and people's intelligentsia, the long-standing economic backwardness of the republic was overcome during the Ninth Five-Year Plan and a sharp upswing was achieved in all of its sectors. The Ninth Five-Year Plan was the turning point in the development of the Azerbaijan economy.

One of the crucial conditions that predetermined our achievements was the large amount of purposeful work done by the republic party organization to bolster the political and organizational activity of party, Soviet, and economic bodies, improve the style and methods of economic management, and mobilize all working people for successful fulfillment of the historic resolutions of the 25th CPSU Congress. The healthy moral-political atmosphere in the republic favors the formation of an activist posture by working people and brings out their creative initiative, which aims at fulfilling party and government assignments ahead of time.

L. I. Brezhnev gave a telling description of the achievements of the republic in September 1978 when awarding the Order of Lenin to the city of Baku: "The situation has plainly improved. This is the result of purposeful organizational, political, and ideological indoctrination work by the Central Committee of the Azerbaijan Communist Party and the party organization of the republic, the result of the active labor of the entire people of Azerbaijan. It is a result of normalization of the atmosphere, an improvement in the moral-psychological climate, which quickly made itself felt in the results of economic activity. Azerbaijan is on the move!"<sup>1</sup>

The successes of our republic have been fairly evaluated by the CPSU Central Committee and Soviet Government. The Azerbaijan SSR has been a victor in all-Union socialist competition and received the challenge Red Banner of the CPSU Central Committee, USSR Council of Ministers, AUCCTU, and All-Union Leninist Komsomol Central Committee 10 years in a row.

The people of Azerbaijan are deeply grateful to the CPSU Central Committee, Politburo of the Central Committee, Soviet Government, and General Secretary of the Central Committee and Chairman of the Presidium of the USSR Supreme Soviet L. I. Brezhnev personally for the enormous aid and constant attention they have given us.

The current phase of development of the Azerbaijan economy is seeing profound qualitative and quantitative changes in the development of productive forces and sectorial structure of public production, a steady

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<sup>1</sup>PRAVDA 23 September 1978.



increase in economic potential, and an acceleration of social progress on this basis. In the 10th Five-Year Plan the Azerbaijan economy faced the challenge of consolidating progress achieved earlier and insuring stable, dynamic, and proportional development of public production and improvement in the efficiency and quality of all work.

Beginning from the program decisions of the 25th CPSU Congress, the Central Committee of the Azerbaijan Communist Party developed and is consistently implementing a program of political, economic, and organizational steps aimed at a fundamental improvement in the structure of public production, an increase in its efficiency, fuller use of reserves, and a further rise in the level of public well-being.

The Azerbaijan SSR was the first Union republic to fulfill its assignments in the 10th Five-Year Plan for volume of industrial production. It did so ahead of schedule. As we conclude the 10th Five-Year Plan it can be said confidently that the assignments in the areas of economic and social development of the republic will be considerably surpassed. Taking account of the level of planned fulfillment expected in 1980 the production of industrial output during the five years will increase 47 percent as compared to 39 percent in the assignment and the average annual growth rate will be eight percent compared to 6.8 in the plan. Moreover, the weight of each percentage point of growth in volume of output is 50 percent greater than in the Ninth Five-Year Plan.

The five-year assignment for growth in volume of industrial production was fulfilled ahead of schedule primarily because we surpassed the planned annual growth rate each year. In the first four years we were eight percent ahead in fulfilling the plan for growth in volume of industrial production and it took 2.5 months in 1980 to complete the entire assignment of the 10th Five-Year Plan.

A distinctive feature of industrial development in the last decade has been intensive improvement in its structure with faster development of the progressive sectors, which makes it possible to insure that unemployed labor resources are drawn into public production and to step up the rate of scientific-technical progress.

The share of the sectors that support scientific-technical progress within the total volume of industrial production in 1980 will reach 28.7 percent as compared to 24.7 percent in 1975.

Machine building plays an important part in securing rapid rates of technical progress and raising the efficiency of public production. In the current five-year plan machine building and metalworking have developed especially fast. Their share in the total volume of industrial production rose from 11 percent in 1970 to 16.9 percent in 1979.

Whereas the average annual growth rate of production for all industrial output in 1971-1975 was 8.4 percent, in machine building and metalworking it was 11.4 percent, and in the first four years of the 10th Five-Year Plan the corresponding figures were 8.1 and 15.2 percent. Moreover, within the sectors a policy is consistently followed of accelerating the development of non-metal-intensive subsectors that require the use of highly skilled labor: electrical equipment, instrument-making, and radio electronics.

The basic increase in industrial output in the 10th Five-Year Plan (26.8 percent) will be obtained precisely by increasing the volume of production in machine building and metalworking; to a decisive degree this growth results from raising labor productivity and the shift coefficient of equipment, improving the use of production capacities, and accelerating the rate of technical re-equipping of enterprises.

The republic's fuel-energy complex, which is represented by petroleum and gas extraction, petroleum refining, and electric power, continued to develop in the Ninth Five-Year Plan. But the growth of production volume in these sectors was slight and during the first four years of the 10th Five-Year Plan their share in total volume of industrial output dropped. In the petroleum and gas extraction industry efforts have been directed primarily to reducing the decline in petroleum extraction and increasing extraction by opening up new deposits. Petroleum extraction has stabilized in recent years, while gas extraction has steadily increased.

The basic reconstruction of Baku plants that was begun in the Ninth Five-Year Plan has continued in the petroleum refining industry. A powerful ELOU-AVT (electric desalination unit-atmospheric-vacuum pipe still) installation has been introduced at the Novobakinskiy oil refinery and launching work is underway on a large catalytic reforming installation whose introduction will make it possible to increase the production of high-octane gasoline several times. In connection with the processing of imported sulfur-containing oil primary attention has been directed to deepening the refining process, increasing the takeoff of light oil products, and improving their quality.

In the 10th Five-Year Plan the rate of development of the power industry and production of electricity fell behind the steadily increasing needs of the economy. Whereas consumption of electricity has increased 60 percent in the last 10 years, production has risen only 40 percent. The disproportion between demand for electricity and available generating capacities arose because of underdevelopment of the republic's energy base in the Ninth and 10th five-year plans; work to establish this base should have begun in the Eighth Five-Year Plan. As a result, the overcurrent from the combined energy system of the Transcaucasus will be 2 billion kilowatt-hours in 1980. The fall and winter of 1979-80 demonstrated the negative impact that the absence of adequate energy

capacities in the Azerbaijan power system can have on the republic economy. To eliminate this deficit as quickly as possible the large Azerbaijan GRES [State Regional Power Plant] with the capacity of 1,200 kilowatts and Shakhorskaya hydroelectric plant with a capacity of 380,000 kilowatts are being built at an accelerated rate. Their introduction will make it possible to satisfy the electricity requirement of our economy during the 11th Five-Year Plan with our own output.

In metallurgical industry ferrous metallurgy received preferential development during the 10th Five-Year Plan. Its volume of industrial production will increase 2.2 times in comparison with 1975. The Kirovabad Aluminum Plant developed intensively. It introduced new capacities for processing bauxite and producing sulfuric acid. The production of secondary aluminum, rolled nonferrous metals, and consumer goods is broadening in this sector.

The Azerbaijan Pipe Rolling Plant imeni V. I. Lenin is undergoing technical re-equipping and reconstruction to increase pipe production for the oil industry and improve pipe quality. The volume of production of output in ferrous metallurgy will rise nine percent during the 10th Five-Year Plan and there will be significant increases in production of threaded casing, pump-compressor, and drilling pipe.

The chemical and petrochemical industry is developing at an accelerated pace. Its share of total industrial production in the republic will rise from 8.2 percent in 1975 to 8.6 percent in 1980. In the first four years of the five-year plan the chemical industry developed at a higher average annual rate (13.9 percent) within the sector. Production capacities were increased for producing key types of chemical output at the enterprises of the Khimprom Production Association, synthetic rubber plants, the superphosphate and synthetic detergents plants in Sumgait, and the fiberglass and industrial rubber plants in Mingechaur. Replacement of fixed capital and technical-re-equipping of production in this sector have promoted a rise in labor productivity and increase in the output-capital ratio. The production of gross output per ruble of fixed production capital will rise 11.6 percent in the current five-year plan and the average annual rate of growth in labor productivity will be about nine percent. The largest part of the growth in production volume will be obtained through intensive factors.

The sectors that produce consumer goods have developed at an accelerated rate in the 10th Five-Year Plan. During the last two five-year plans the group B sectors have developed more rapidly. During the 10th Five-Year Plan the average annual growth rate of the group B sectors has been 10.1 percent as compared to 8.7 percent in the Ninth Five-Year Plan; during the current five-year plan the volume of output in these sectors as a whole will increase 62.2 percent as compared to 58.4 percent in the assignment.

Light industry has continued to develop on the basis of a broad program of technical re-equipping of existing enterprises. More than 53 percent of the volume of capital investment went for replacement of the active part of the fixed production capital of existing enterprises. Such major enterprises as the Baku Textile Combine imeni V. I. Lenin the dyeing-finishing facility at the Shchekino Silk Combine, and the Kirovabad Carpet-Cloth Combine have undergone reconstruction. In addition to reconstruction and technical-reequipping of existing enterprises a primary wool processing plant in Yevlakh, a knitted goods factory in Sumgait, and a volumetric yarn factory in Sumgait have been put into operation.

As a result of the significant achievements in development of republic agriculture the raw material base of the food industry has been significantly strengthened. The sectors that process agricultural raw material — the winemaking, tea, fruit and vegetable, butter and cheese, and milk sectors — have developed at an accelerated rate. In the first four years of the five-year plan 20 large new enterprises, butter-cheese and milk plants with capacities of 160 tons of whole milk output a shift, and 14 primary winemaking plants were built and put into operation and 26 existing enterprises were expanded and rebuilt.

During the past years of the 10th Five-Year Plan the production of consumer goods has increased as follows: cotton, woolen, and silk fabrics — 20-30 percent; carpets and carpet goods — 100 percent; refrigerators — 160 percent; home air conditioners — 250 percent; confectionary goods — 40 percent; mineral water — 60 percent; cultural-domestic and everyday household goods — 150 percent.

Thanks to the high rate of development of light and food industry, more than half of the absolute growth of industrial output in the republic in the 10th Five-Year Plan will be achieved through the growth in production volume in these sectors.

Therefore, the bulk of growth in industrial output in the 10th Five-Year Plan will be achieved by high rates of development in these sectors: machine building and metalworking, chemistry and petrochemistry, food and light industry.

Introduction of scientific-technical advances, comprehensive intensification, and raising the efficiency of production have been the leading factors in development of the republic economy during the Ninth and 10th five-year plans.

Following the line set out by the 25th party congress and the challenges posed by L. I. Brezhnev during his visit to Baku, the republic is working hard and purposefully to continue improving the quality of output produced.



During the 10th Five-Year Plan the volume of production of articles with the Mark of Quality has increased 12.4 times and their share of the total volume of industrial output has risen to 15.3 percent compared to 1.3 percent in 1975.

There is no question that a great deal has been done in this direction, but much more remains to be done. At many enterprises the percentage of output bearing the Mark of Quality is still low and articles are still produced that do not meet contemporary requirements. But the campaign for quality of output has become a crucial part of the activity of enterprises and planning and economic bodies in the republic. The challenge today is to raise the proportion of high-quality output to at least 17 percent in 1980.

In the first four years of the 10th Five-Year Plan labor productivity in industry rose 21 percent. More than two-thirds of the growth in industrial output was received through this one factor. To produce 1 million rubles of output today takes the labor of 46 persons as compared to 59 in 1975. In other words, the savings of human labor per each million rubles is 13 persons, which for all production is 113,000 persons.

It was possible to accelerate the growth rate of labor productivity thanks to technical improvements in production, the use of more progressive technological processes, replacement of wornout and obsolete equipment, the considerable work done at enterprises on production organization and technology, and the automation and mechanization of production. Steps have been developed and are being carried out to continue increasing this indicator of production efficiency. Based on work results for the first part of the current year, more than 80 percent of the growth in industrial output will be received from raising labor productivity.

The powerful, modern scientific-technical potential created in the republic has been an important factor in the swift development of productive forces. The scientific establishments, headed by the Academy of Sciences Azerbaijan SSR, employ 21,700 persons; they are successfully engaged in pure and applied research and solving major problems related to the development of productive forces.

The scientists of Azerbaijan, together with the employees of industrial enterprises and organizations, are making an important contribution to accelerating scientific-technical progress and resolving the social and economic problems of economic development. In the current five-year plan alone 360 new types of machinery, equipment, and instruments have been created and the production of 4,395 types of industrial output has been incorporated. On 1 July 1979 enterprises of the republic had 1,760 mechanized flow and automatic lines and 985 sections, shops, and chemical installations were fully mechanized and automated. The

republic economy has 27 computer centers and 30 automated control systems. Vigorous pursuit of work on the introduction of new machinery and progressive technology helped raise labor productivity. Almost one-fifth of the growth in industrial output and more than one-third of profit in 1975 came from this factor.

Increasing the capital-labor ratio and the return from each ruble of fixed capital are important factors in raising labor productivity. During the 10th Five-Year Plan industrial production fixed capital increased 24.9 percent and the output-capital ratio rose 6.4 percent. The use of fixed capital at enterprises of ferrous metallurgy, machine building, and the chemical and petrochemical industry improved significantly. At the same time, however, there has been a tendency since the start of the five-year plan for the output-capital ratio to decline in the power industry, petroleum and gas extraction, oil refining, lumber and wood processing, and ferrous metallurgy. This has been caused by a drop in electricity production and petroleum extraction and incomplete loading of capacities because of lack of raw material and the need to carry out reconstruction and modernization of equipment. Considering that complete and timely incorporation of projected capacities and optimal use of existing production capital is the determining condition for raising the output-capital ratio in industry, the work of ministry, department, and enterprise executives of the republic is directed to rapidly eliminating shortcomings and sharply improving these indicators.

One of the principal factors that promotes increase in the efficiency of public production is conservation of material expenditures. This presupposes above all a decrease in the material-intensiveness of output and efficient, thrifty use of materials and fuel-energy resources. Material production expenditures per ruble of gross social product in the current five-year plan have decreased 0.3 percent compared to the Ninth Five-Year Plan. On a republic scale this means a savings of 33 million rubles of materials compared to 1975.

During the current five-year plan our enterprises have conserved 665 million kilowatt-hours of electricity, 1,075,000 gigacalories of thermal energy, and 53,000 tons of standard boiler-furnace fuel. In 1979 alone the use of rolled metal products was cut 5,300 tons in comparison with established norms. Almost half of the savings was the result of introduction of steps towards improvement in industrial processes and designs and improving the weight characteristics of machinery and equipment being produced.

At the same time, an analysis of report figures shows that not all enterprises are working adequately toward economical use of materials and reducing the material-intensiveness of output. There are large quantities of waste ferrous metals, especially at machine building enterprises. If we consider that as the size of the economy grows the

value of conserving materials also grows (in 1975 a one percent decrease in material expenditures was worth 69 million rubles; in 1979 the figure was 90 million), it is clear that a paramount challenge for the collectives of all enterprises should be eliminating shortcomings in the use of materials and fuel-energy resources, intensifying work on economy and thrift, and reducing the material-intensiveness of output by every means.

One of the chief conditions that insured stable and dynamic development of industrial production and fulfillment of the assignments of the 10th Five-Year Plan ahead of schedule was the sharp rise of agriculture and creation of a solid raw material base for industry as a result. The party organization of Azerbaijan, following the party agrarian policy worked out by the March 1965 Plenum of the CPSU Central Committee and the decisions of the July 1978 Plenum, relying on the daily assistance of the party and government, and undertaking a broad campaign of organizational and political work, was to overcome agricultural backwardness in a short time and turn the sector around.

The measures taken in Azerbaijan toward further intensification of agricultural production played a decisive role in significantly increasing the production of agricultural products on the basis of intensification and furthering specialization and concentration of production.

In the last decade the rural workers of Azerbaijan have made unprecedented progress in the production and procurement of all types of agricultural products. Compared with 1969, grain production in 1979 increased 2.1 times, cotton 2.5 times, grapes 3.8 times, and vegetables 2.4 times.

1979 was a record year. Particularly high indicators were: 742,300 tons of raw cotton produced, 1,044,900 tons of grapes, 881,000 tons of vegetables and 55,100 tons of tobacco.

The republic reached the plan level for the final year of the 10th Five-Year Plan for gross production of agricultural output in 1978, two years ahead of schedule. The growth rate of average annual volume of gross agricultural output in the last four years has been 40 percent over 1971-1975, compared to a planned figure of 21 percent for the entire 10th five-year plan.

Overfulfillment of socialist obligations for all types of crop farming and animal husbandry output each year made it possible to fulfill five-year plan assignments for sale to the state of grain, vegetables, and fruits in four years; for the other types of output these assignments will be significantly surpassed this year.

The great increase in production and procurement of all types of agricultural products in the last decade has resulted primarily from intensive factors: a steady increase in the yield of the crops. The

average annual yield in the last decade surpassed the yield for the preceding 10 years by 60 percent for grain and raw cotton, 100 percent for tobacco, 50 percent for vegetables, 80 percent for grapes, and 90 percent for green tea leaves.

During the Ninth and 10th five-year plans capital investment for the development of agriculture increased 2.4 times. This capital was used chiefly for technical re-equipping of agricultural production, construction of production and water management facilities, and reclamation and irrigation work. The production capital of agricultural enterprises today is 2.4 times greater than the 1969 level. It is gratifying to observe that the share of the active part of fixed capital is steadily increasing. This is the value of the machinery and equipment which play the leading role in intensification of production and switching it to an industrial footing.

The process of chemicalization, one of the determining factors in intensification of agricultural production and raising its efficiency, is accelerating. Each year agriculture received more than 1 million tons of mineral fertilizer and Azerbaijan farmers now apply 2.5 times more fertilizer per hectare of arable land than they did 10 years ago. In recent years mechanized storage facilities for 270,000 tons of mineral fertilizer have been built to receive, store, and distribute fertilizer; interrayon supply depots for chemicals and agrochemical laboratories for scientifically sound use of fertilizers have been established.

Major steps have been taken to develop irrigation farming and the volume of capital investment used for water management construction has increased. In the last decade the Teterchay, Khanbulanchay, Arpachay, and other water management complexes have been put into operation; the total capacity of republic reservoirs has risen to almost 20 billion cubic meters and the number of pumping plants and length of irrigation networks has increased. All this made it possible to introduce 83,000 hectares of new irrigated land into agricultural use and improve the condition of the soil on an area of 310,000 hectares.

An important prerequisite for rapid development of all sectors of agricultural production was further intensification and deepening specialization and concentration of production based on interfarm cooperation and agroindustrial integration. The high level of concentration is illustrated by the fact that market grain and raw cotton is produced today in four of the 10 natural economic zones of the republic, grapes are produced in five, tobacco and fruit in two, and green tea leaves in one zone. Interfarm cooperation and agroindustrial complexes have developed significantly. The number of interfarm enterprises, organizations, and associations has increased 50 percent since 1970. In 1970 there were 146 such organizations, including 76 animal husbandry associations and poultry factories and farms. We must note the efficiency of the work of interfarm associations; their net income



increased 3.6 times in the first four years of the current five-year plan compared to 1975.

The Azerbaijan SSR has formed a successfully operating State Committee for Grape Growing and Winemaking whose enterprises produce 92 percent of the grapes in the republic. The republic's share of total grape production in the country is now 17 percent compared to 6.5 percent in 1969. The volume of production from the winemaking industry has risen 4.1 times in the last decade and accounted for one-seventh of all industrial production. During these years 34 new primary winemaking plants have been launched, existing enterprises and winemaking points have been expanded and rebuilt, and the capacities of the winemaking industry are now adequate to handle 1,080,000 tons of grapes.

Formation of the Azplodoovoshchprom [Azerbaijan Fruit and Vegetable Industry] Agroindustrial Association made it possible to concentrate 89.2 percent of vegetable production, 75.7 percent of fruit production, and 97.7 percent of green tea leaf production at sovkhoses subordinate to the association. This association supplies more than 300,000 tons of early vegetables to the USSR market each year. The role of integrated enterprises in social division of labor, increasing the volume and efficiency of agricultural production, and solving the problems of socioeconomic development of the Azerbaijan countryside is increasing rapidly.

The successes we have achieved show convincingly that the agrarian sector of the Azerbaijan economy is well established in developed socialism. A scientifically sound long-range program for continued development of agriculture and the entire Azerbaijan economy has been developed and is being carried out to solve a whole range of social problems and improve the well-being of the working people.

The agricultural workers of Azerbaijan see their key challenge as continuing to improve the structure of planted areas, accelerating the development of grape growing and winemaking, raising grape production to 2.5-3 million tons in 1990, increasing the volume of production of grain, raw cotton, and vegetables, developing intensive orchard farming and animal husbandry, and improving the quality of products produced. At the same time attention will continue to be focused on the problems of raising the yield of agricultural crops and the productivity of livestock and poultry.

The November 1979 Plenum of the Central Committee of the Azerbaijan Communist Party defined the most pressing problems of republic agriculture and ways to solve them. In the field of cotton growing the principal challenges are continuing to improve plant breeding for seed production, strengthening protection of the cotton plant against diseases and pests, and speeding up the cotton harvest by broader and more efficient use of machinery. The decisive conditions for

successful development of grain farming are maximum intensification and raising yield. Measures have been planned for further development of the production of vegetables, melons, potatoes, fruits, tea leaves, and tobacco.

The development of animal husbandry is a subject of special concern to party, Soviet, and economic bodies in the republic. The efforts of animal husbandry workers are directed to increasing the size of the livestock herd, improving breeding work, creating a stable feed base, increasing the weight of livestock and poultry and their productivity, and accelerating the transition of this sector to a modern industrial footing.

The creation of powerful economic potential in Azerbaijan has been linked significantly with certain changes in the area of capital construction, accelerating the introduction of production capacities and installations, and improving the quality of construction work.

In the first four years of the 10th Five-Year Plan the volume of capital investment within republic territory increased 41.4 percent over the corresponding period of the Ninth Five-Year Plan. The increased potential of the construction industry, improvements in the organization of construction work, and strengthening its material-technical base promoted a steady increase in the volume of fixed capital being introduced, which increased 47.4 percent compared to 1971-1974. The rate of introduction of capacities exceeded the rate of incorporation of capital investment, making it possible to reduce the construction time of projects and the relative volume of incomplete construction, although this indicator still exceeds established standards.

Forty-eight large industrial enterprises, many new shops and installations at expanded and rebuilt enterprises, and large animal husbandry complexes and poultry factories have been built and put into operation.

Housing and cultural-domestic construction has been done on a large scale. Many nonproduction installations have been put into use, which has been an important factor in accelerating the rate of social progress.

At the same time, serious problems in capital construction in the republic have not been solved: the scattering of material resources and labor, unsatisfactory labor organization, low labor productivity, and unsatisfactory use of construction machinery and equipment.

The steps now being taken in conformity with the 12 July 1970 decree of the CPSU Central Committee and USSR Council of Ministers entitled "Improving Planning and Strengthening the Influence of the Economic Mechanism on Raising Production Efficiency and Work Quality" will help improve matters in capital construction, accelerate the introduction of production capacities and facilities, and raise the efficiency of capital investment.

A great deal has been done in the republic in recent years to develop transportation. The material-technical base has been strengthened and the freight traffic of all types of transportation has been increased. But the accelerated pace of socioeconomic development demands further improvements in the work of transportation, especially the railroads, which are not fully meeting the increased needs of the economy. Comprehensive steps have now been developed to eliminate problems in the work of railroad transportation. In particular, construction of a large marshalling yard is finishing up: when it is put into operation the strain on the railroads will be somewhat alleviated. In addition, second tracks are being laid and carloading areas expanded. All the ministries, departments, and enterprises of the republic are working to eliminate the tight spots in railroad transportation as quickly as possible.

Serious attention is being given to development of motor vehicle transportation and improving the operating and economic indicators of its work. During the Ninth and 10th five-year plans the freight and passenger traffic of general-purpose motor vehicle transportation almost doubled. At the present time 95 percent of all passengers are carried by motor vehicle transportation.

The volume of road building increases every year, especially in the rural areas, but the condition of the roads still cannot be considered satisfactory. Therefore, road organizations and local Soviets are taking steps to find additional resources for expanding this work and improving the condition of local roads. This will involve enlisting the capital of kolkhozes and interfarm associations.

The Caspian Steamship Line and civil aviation are making an important contribution to carrying economic freight and passengers. Local air routes developed intensively during the Ninth and 10th five-year plans and aviation is finding increasing application in work on chemicalization of agriculture.

In the first four years of the 10th Five-Year Plan communications equipment and television received further development. The number of communications enterprises increased, the capacity of city telephone exchanges was enlarged, and the installation of rural telephone systems was completed. A total of 584 kilometers of new radio relay lines were built, existing lines were redesigned, and four powerful television transmitters were put into operation. As a result, 97 percent of the population can now receive television broadcasts, 70 percent in color, and by the end of the current five-year plan virtually every inhabitant of the republic will have this opportunity.

The confident and dynamic growth of Azerbaijan's economic potential has created a sound foundation for consistent implementation of the social program outlined by the 25th party congress. On the basis of growth in public production measures have been taken to improve the

standard of living of the people of Azerbaijan. The average annual consumption fund of national income and real per capita income in 1980 will increase 19.5 percent compared to 1975.

The increase in wages for working people was an important factor in the growth of real income. The average monthly wages of workers and employees rose 13.4 percent during the 10th Five-Year Plan and by the end of the plan will increase 17.2 percent; wage payment to kolkhoz members will rise 28.7 percent. Credits have been increased and benefits from public consumption funds are now used more extensively. All this has had a positive impact on the purchasing power of the population and is reflected in the growth of trade and use of domestic services. The volume of retail trade per capita will increase 19 percent during the 10th Five-Year Plan, while the use of domestic services will rise 51.9 percent, including 83 percent in rural areas.

A major program has been carried out to improve housing conditions and cultural-domestic service to the population. Suffice it to say that in the last decade almost one-third of the inhabitants of the republic have improved their housing conditions. The network of schools and children's preschool institutions has been expanded. Azerbaijan, like the entire country, has made the transition to universal secondary education. Medical service has improved, the material-technical base of public health is stronger, and a network of sanitariums and rest homes is being developed. We now have about 20,000 doctors, 32 doctors per 10,000 population. This is more than in many highly developed capitalist countries. The cultural level of the population has risen significantly. In Azerbaijan today more than 80 percent of the employed population has higher and secondary (complete and incomplete) education, and half of the population is involved in some kind of education. In just the first four years of the 10th Five-Year Plan our schools graduated more than 149,000 specialists with higher and secondary education while the vocational-technical schools graduated more than 200,000 skilled workers.

Successful implementation of the program to involve our growing labor resources in public production has been an important social achievement of the 10th Five-Year Plan. During the first four years of the 10th Five-Year Plan the number of workers and employees engaged in the republic economy rose 16.4 percent, and for the five years it will increase 20.2 percent compared to an assignment of 11.7 percent.

The socialist culture of the people of Azerbaijan, which is developing in close interrelationship with the culture of all the Soviet peoples, has risen to new heights.

We are at the threshold of the 11th Five-Year Plan and intensive work is now underway to develop the primary directions of economic and social development in Azerbaijan. The challenges of further development of public production and consistently following the line of raising the efficiency and quality of work were set forth in



L. I. Brezhnev's speech at the November 1979 Plenum of the CPSU Central Committee. "In order to consistently raise the well-being of the people," L. I. Brezhnev pointed out, "it is necessary to put the party policy of raising efficiency and quality into effect with redoubled vigor; there is no alternative to this policy and it must be followed consistently in the 11th Five-Year Plan."<sup>2</sup>

In the upcoming five-year plan the Azerbaijan economy faces the challenge of reinforcing past achievements and insuring further development on the basis of improvements in the structure of public production and balanced, proportional growth of the entire economy. The 11th Five-Year Plan will be an important stage in solving the problems of building communism. The mighty economic potential created in the republic in recent years and the creative enthusiasm and working attitude of the working masses are a reliable guarantee of this.

The current year, the last year of the 10th Five-Year Plan is a year of active preparation for the 26th CPSU Congress. We have no doubt that the working people of Azerbaijan, like all Soviet people, will do everything possible to celebrate this outstanding event in the life of the party and people with great new achievements.

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<sup>2</sup>Brezhnev, L. I., "Rech' na Plenum Tsentral'nogo Komiteta KPSS 27 Noyabrya 1979 Goda" [Speech at the Plenum of the Central Committee of the CPSU on 27 November 1979], Moscow, Politizdat, pp 21-22.

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